

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ARIZONA CORPORATION
COMMISSION

APR 12 2002

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

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W-02062A
SOUTHLAND UTILITIES COMPANY, INC.
2730 E. BROADWAY, SUITE 135
TUCSON AZ 85716-0000

ANNUAL REPORT

FOR YEAR ENDING

12	31	2001
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FOR COMMISSION USE

ANN04	01
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Processed by:

4-15-02 C.W.

SCANNED

COMPANY INFORMATION

Company Name (Business Name) Southland Utilities Company, Inc.

Mailing Address 2730 E. Broadway, Suite 135
(Street)

Tucson

(City)

Arizona

(State)

85716

(Zip)

(520) 327-6000

Telephone No. (Include Area Code)

(520) 327-6184

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address N/A

Local Office Mailing Address 4148 Golden Acres Drive
(Street)

Sierra Vista

(City)

Arizona

(State)

85650

(Zip)

(520) 378-6200

Local Office Telephone No. (Include Area Code)

(520) 378-2085

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address N/A

MANAGEMENT INFORMATION

Management Contact: Andrew L. Romo President
(Name) (Title)

2730 E. Broadway, Suite 135
(Street)

(City)

(State)

(Zip)

(520) 327-6000

Telephone No. (Include Area Code)

(520) 327-6184

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address N/A

On Site Manager: F. G. Heeren

(Name)

4148 Golden Acres Drive

(Street)

Sierra Vista

(City)

Arizona

(State)

85650

(Zip)

(520) 378-6200

Telephone No. (Include Area Code)

(520) 378-2085

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Email Address N/A

Statutory Agent: Sidney N. Mendelsohn, Jr.

(Name)

2730 E. Broadway, Suite 100

(Street)

Tucson

(City)

Arizona

(State)

85716

(Zip)

(520) 325-7500

Telephone No. (Include Area Code)

N/A

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Attorney: John O'Hare

(Name)

3865 N. Tucson Blvd.

(Street)

Tucson

(City)

Arizona

(State)

85716

(Zip)

(520) 881-2308

Telephone No. (Include Area Code)

N/A

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☒ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	N/A	N/A	N/A
302	Franchises	N/A	N/A	N/A
303	Land and Land Rights	1,070	N/A	1,070
304	Structures and Improvements	19,824	17,869	1,955
307	Wells and Springs	19,514	19,521	(7)
311	Pumping Equipment	68,252	11,462	56,790
320	Water Treatment Equipment	N/A	N/A	N/A
330	Distribution Reservoirs and Standpipes	48,806	37,000	11,806
331	Transmission and Distribution Mains	198,617	165,166	33,451
333	Services	41,070	40,886	184
334	Meters and Meter Installations	42,387	12,404	29,983
335	Hydrants	N/A	N/A	N/A
336	Backflow Prevention Devices	N/A	N/A	N/A
339	Other Plant and Misc. Equipment	N/A	N/A	N/A
340	Office Furniture and Equipment	1,356	40	1,316
341	Transportation Equipment	N/A	N/A	N/A
343	Tools, Shop and Garage Equipment	N/A	N/A	N/A
344	Laboratory Equipment	N/A	N/A	N/A
345	Power Operated Equipment	N/A	N/A	N/A
346	Communication Equipment	N/A	N/A	N/A
347	Miscellaneous Equipment	1,850	258	1,592
348	Other Tangible Plant	N/A	N/A	N/A
	TOTALS	442,746	304,606	138,140

This amount goes on the Balance Sheet Acct. No. 108 

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	N/A	N/A	N/A
302	Franchises	N/A	N/A	N/A
303	Land and Land Rights	1,070	N/A	N/A
304	Structures and Improvements	19,824	5%	858
307	Wells and Springs	19,514	5%	-0-
311	Pumping Equipment	68,252	5%	2,565
320	Water Treatment Equipment	N/A	N/A	N/A
330	Distribution Reservoirs and Standpipes	48,806	5%	1,389
331	Transmission and Distribution Mains	198,617	5%	2,610
333	Services	41,070	5%	91
334	Meters and Meter Installations	42,387	5%	1,888
335	Hydrants	N/A	N/A	N/A
336	Backflow Prevention Devices	N/A	N/A	N/A
339	Other Plant and Misc. Equipment	N/A	N/A	N/A
340	Office Furniture and Equipment	1,356	5%	68
341	Transportation Equipment	N/A	N/A	N/A
343	Tools, Shop and Garage Equipment	N/A	N/A	N/A
344	Laboratory Equipment	N/A	N/A	N/A
345	Power Operated Equipment	N/A	N/A	N/A
346	Communication Equipment	N/A	N/A	N/A
347	Miscellaneous Equipment	1,850	5%	93
348	Other Tangible Plant	N/A	N/A	N/A
	TOTALS	442,746		9,562*

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

***Less Amortization of Contributions in Aid of Construction**

(5,069)

Net Depreciation Expense

4,493

BALANCE SHEET

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 14,616	\$ 19,545
134	Working Funds	-0-	-0-
135	Temporary Cash Investments	39,065	31,823
141	Customer Accounts Receivable	9,443	9,816
146	Notes/Receivables from Associated Companies	16,353	17,853
151	Plant Material and Supplies	862	710
162	Prepayments	70	3,903
174	Miscellaneous Current and Accrued Assets	7,383	14,090
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 87,792	\$ 97,740
	FIXED ASSETS		
101	Utility Plant in Service	\$ 441,512	\$ 442,746
103	Property Held for Future Use	-0-	-0-
105	Construction Work in Progress	-0-	-0-
108	Accumulated Depreciation – Utility Plant	(296,368)	(304,606)
121	Non-Utility Property	-0-	-0-
122	Accumulated Depreciation – Non Utility	-0-	-0-
	TOTAL FIXED ASSETS	\$ 145,144	\$ 138,140
	TOTAL ASSETS	\$ 232,936	\$ 235,880

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 2,524	\$ 2,251
232	Notes Payable (Current Portion)	-0-	-0-
234	Notes/Accounts Payable to Associated Companies	-0-	-0-
235	Customer Deposits	1,918	1,231
236	Accrued Taxes	8,890	4,272
237	Accrued Interest	-0-	-0-
241	Miscellaneous Current and Accrued Liabilities	11,785	12,894
	TOTAL CURRENT LIABILITIES	\$ 25,117	\$ 20,648
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ -0-	\$ -0-
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$ -0-	\$ -0-
252	Advances in Aid of Construction	4,684	4,606
255	Accumulated Deferred Investment Tax Credits	40	32
271	Contributions in Aid of Construction	101,400	101,400
272	Less: Amortization of Contributions	(81,458)	(86,527)
281	Accumulated Deferred Income Tax	3,772	3,948
	TOTAL DEFERRED CREDITS	\$ 28,438	\$ 23,459
	TOTAL LIABILITIES	\$ 53,555	\$ 44,107
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 6,000	\$ 6,000
211	Paid in Capital in Excess of Par Value	135,692	135,692
215	Retained Earnings	37,689	50,081
218	Proprietary Capital (Sole Props and Partnerships)	N/A	N/A
	TOTAL CAPITAL	\$ 179,381	\$ 191,773
	TOTAL LIABILITIES AND CAPITAL	\$ 232,936	\$ 235,880

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 113,951	\$ 116,547
460	Unmetered Water Revenue	-0-	-0-
474	Other Water Revenues	2,833	3,157
	TOTAL REVENUES	\$ 116,784	\$ 119,704
	OPERATING EXPENSES		
601	Salaries and Wages	\$ -0-	\$ -0-
610	Purchased Water	-0-	-0-
615	Purchased Power	19,950	22,018
618	Chemicals	-0-	-0-
620	Repairs and Maintenance	4,943	5,968
621	Office Supplies and Expense	4,491	4,529
630	Outside Services	38,795	56,309
635	Water Testing	1,050	4,166
641	Rents	-0-	-0-
650	Transportation Expenses	-0-	-0-
657	Insurance – General Liability	978	1,013
659	Insurance - Health and Life	-0-	-0-
666	Regulatory Commission Expense – Rate Case	7,500	-0-
675	Miscellaneous Expense	754	946
403	Depreciation Expense	4,429	4,493
408	Taxes Other Than Income	45	45
408.11	Property Taxes	7,272	7,785
409	Income Tax	7,422	2,441
	TOTAL OPERATING EXPENSES	\$ 97,629	\$ 109,713
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 498	\$ 2,510
421	Non-Utility Income	8	8
426	Miscellaneous Non-Utility Expenses	(52)	0
427	Interest Expense	(88)	(117)
	TOTAL OTHER INCOME/EXP	\$ 366	\$ 2,401
	NET INCOME/(LOSS)	\$ 19,521	\$ 12,392

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	N/A	N/A	N/A	N/A
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End	\$ 12,667
Meter Deposits Refunded During the Test Year	\$ 1,944

WATER COMPANY PLANT DESCRIPTION**WELLS**

ADWR ID Number	Pump Horsepower	Pump Yield (Gpm)	Casing Size (inches)	Meter Size (inches)
626,149	52	200	12"	N/A
626,150	60	200	14"-12"-10"	N/A

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A	N/A	N/A

TOTAL GALLONS PUMPED (NOT SOLD) THIS YEAR (thous.) = 45,939

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
40	1	6	N/A
5	1		
10	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
25,000	1	10,000	1
62,000	1	5,000	1

STATISTICAL INFORMATION

Total number of customers	<u>502</u>
Total number of gallons sold	<u>44,074,356</u> gallons

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>9,867</u>
Estimated or Actual Federal Tax Liability	<u>1,480</u>

State Taxable Income Reported	<u>10,606</u>
Estimated or Actual State Tax Liability	<u>739</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>None</u>
Amount of Gross-Up Tax Collected	<u>None</u>
Total Grossed-Up Contributions/Advances	<u>None</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Andrew L. Romo
SIGNATURE

4.10.02
DATE

Andrew L. Romo
PRINTED NAME

President
TITLE

COMPANY NAME Southland Utilities Company, Inc. YEAR ENDING 12/31/2001

**WATER AND SEWER
UTILITIES ONLY**

PROPERTY TAXES

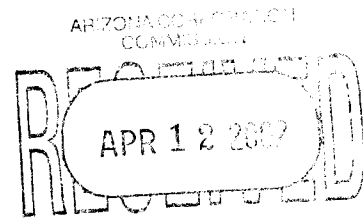
Indicate the amount of actual property taxes paid during this reporting period (Calendar Year 2001)

\$ 7,632

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled Checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain reasons below:

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**



VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Pima
NAME (OWNER OR OFFICIAL) TITLE Andrew L. Romo, President
COMPANY NAME Southland Utilities Company, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA COPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2001

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2001 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 123,570

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 7,023
IN SALES TAXES BILLED, OR COLLECTED

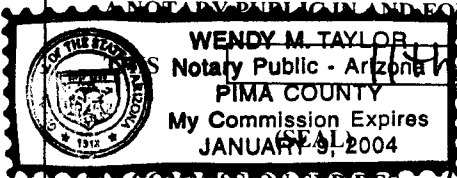
****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Andrew L. Romo
SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



DAY OF

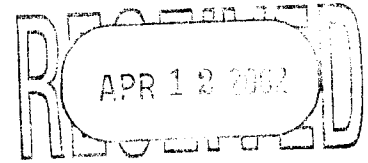
COUNTY NAME	<u>Pima</u>
MONTH	<u>April</u>
YEAR	<u>2002</u>

Wendy M. Taylor
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 1-9-2004

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

ARIZONA CORPORATION
COMMISSION



VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

(COUNTY NAME) Pima		Director of Utilities
NAME (OWNER OR OFFICIAL) Andrew L. Romo		TITLE President
COMPANY NAME Southland Utilities Company, Inc.		

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2001

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2001 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>114,994</u>

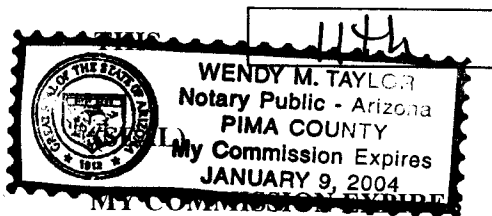
(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 5,995
IN SALES TAXES BILLED, OR COLLECTED

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**

X Andrew L. Romo
SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



DAY OF

NOTARY PUBLIC NAME Wendy Taylor	
COUNTY NAME Pima	
MONTH April	20 02

X Wendy M. Taylor
SIGNATURE OF NOTARY PUBLIC

00-1201770

PHONE 520-378-6200
4148 GOLDEN ACRES DR.
SIERRA VISTA AZ 85850

91-101/1221



\$ 221.85****

Date January 11, 2001

Rolls-Royce

WE 0 UM22 I DULS 8 8 CTS

00707227: 1157700

0065001891

1100002218511

Charles F. Jones

the following security features (and others not listed) exceed industry standards:

- Document appearance if altered:
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- Absence of any water or dotted line
- Colored stains or spots appear with chemical alteration
- Absence of padlock icon

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FEDERAL RESERVE BOARD OF GOVERNORS REG. CC

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ENDORSE HERE

CASHIER
AME

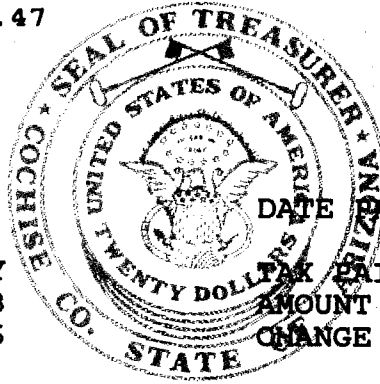
COCHISE COUNTY
RECEIPT OF TAXES PAID

10/25/00
11:13:25

PARCEL NUMBER	YR	POR	TAX PAID	INTEREST	FEES	PENALTIES	TOTAL PAID
924-56-870-00-0	00	1	3521.47				3521.47

RECEIVED FROM

SOUTHLAND UTILITIES COMPANY
2730 E BROADWAY BLVD STE 13
TUCSON AZ 85716



DATE PAID

10/25/00

TAX PAID

3521.47

AMOUNT TENDERED

3521.47

CHANGE DUE

.00

THANK YOU
MARSHA BONHAM
COCHISE COUNTY TREASURER
BISBEE, ARIZONA 85603

CHECK # 4016

RECEIPT

COCHISE COUNTY TREASURER
Receipt of Taxes Paid

Date: 26 Oct 2001 Time: 14:40:44

Page: 1
Cashier: PGR

Tax Year	Parcel	Portion	Tax Paid	Interest Paid	Penalty Paid	Paid
2001	09000056012	1	106.67			106.67
2001	09000056012	2	106.67			106.67

Payment type: Check# 4322

Payment Received: \$ 213.34

Tax still owing: .00

Notes:

Received from:

SOUTHLAND UTILITIES
2730 E BROADWAY #135
TUCSON, AZ 85716

01 924-56-8700
SOUTHLAND UTILITIES COMPANY, INC.
PHONE 520-378-6200
4148 GOLDEN ACRES DR.
SIERRA VISTA, AZ 85650

4332

91-101/1221

Date October 23, 2001

Pay to the Order of Marsha Bonham Cochise County Treasurer \$ 3,674.97****

HE 005674 JUL 29 / CTS



Dollars

ARIZONA BANK
TUCSON, AZ 85704

Andrew L. Long

For 924-56-870

00000367497

0065001891

0004332 12210101010

ENDORSE HERE

X

122-00004
PAY TO THE ORDER OF
019 BANK ONE 019

DO NOT SIGN / WRITE / STAMP BELOW THIS LINE
FOR FINANCIAL INSTITUTION USAGE ONLY

8191 10172

1221010244
BANK ONE
ARIZONA
1221010244

OCT 25 01

FEDERAL RESERVE BOARD OF GOVERNORS

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Security Features
Security Screen
Microprint Signature Line
Chemical Sensitivity
Padlock Icon
Document appearance:
+ Absence or modification of original
Document screen back
+ Absence of tiny dots or dots
appear in signature line
+ Colored stains spots appear
chemical alteration
+ Absence of padlock icon

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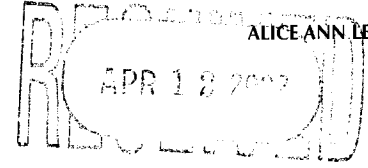


REIDY/LENZINI P.C.

ARIZONA CORPORATION
RECEIVED

ALICE ANN LENZINI, CPA

DENNIS J. REIDY, CPA



Director of Utilities

April 6, 2002

ACCOUNTING

TAXATION
PLANNING
COMPLIANCE

BUSINESS
VALUATION

LITIGATION SERVICES

◆
**Compliance Section
Utilities Division
Arizona Corporation Commission
1200 West Washington St.
Phoenix, AZ 85007**

◆
RE: Southland Utilities Company, Inc. Water Utility Annual Report

Dear Sir/Madam:

◆
Please find enclosed the Water Utility Annual Report and the accountants' compilation report for the above captioned corporation for the calendar year 2001.

Regards,

Reidy/Lenzini P.C.

Dennis J. Reidy, CPA

DJR/wmt

Enclosure



REIDY/LENZINI P.C.

DENNIS J. REIDY, CPA

ALICE ANN LENZINI, CPA

Southland Utilities Company, Inc.
2730 East Broadway, #135
Tucson, Arizona 85716

ACCOUNTING

♦

We have compiled the annual report to the Arizona Corporation Commission, Utilities Division, Compliance Section for the year ended December 31, 2001 for Southland Utilities Company, Inc. included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

TAXATION
PLANNING
COMPLIANCE

♦

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission, Utilities Division, Compliance Section, information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

BUSINESS
VALUATION

♦

LITIGATION SERVICES

The financial and statistical information, including other disclosures, are presented in accordance with the requirements of the Arizona Corporation Commission, Utilities Division, Compliance Section, which differ from generally accepted accounting principles. Accordingly, the financial statements are not designed for those who are not informed about such differences.

Reidy/Lenzini P.C.

April 6, 2002